



April 12, 2016

House Tax Policy Committee
Lansing, Michigan

Re: HB 5401 – Air/Water Pollution Tax Credits

Dear Representatives,

The Michigan Environmental Council is a coalition of over 65 environmental, conservation and faith-based groups located across the state of Michigan. We support efforts to reduce air and water pollution in order to protect public health and the natural resources of Michigan. We urge legislators to examine closely both this bill and the underlying program.

Program Overview - The Pollution Control Tax Credit Program basically exempts equipment used to reduce air and water pollution from sales, use and property taxes. The programs have been in place since the 1970's when the federal Clean Water Act and Water Pollution Control Act were passed. This program simply provides tax exemption to companies for complying with federal laws.

Coal Subsidy Provided by Michigan Taxpayers - A vast majority of the tax exemptions have gone to utilities to control pollution related energy production. However, in today's market there are pollution free alternatives in the form of renewable energy (which are required to pay 100% of their taxes). **This tax exemption now has become a state subsidy for coal and is undermining our transition to cleaner energy sources.** At the same time, these facilities continue to emit air and water pollution which results in hundreds of millions of dollars in health care costs and damages annually for Michigan residents.

Hurts Local Governments – The lion share of these tax exemptions fall on local governments in lost property taxes. Phasing out these tax exemptions would significantly increase local tax revenues which could be invested in infrastructure of programs designed to address public health impacts caused by these facilities, potentially in excess of \$100 million per year.

Public Health Impacts to Michigan Families - Due to availability of renewable energy, this program provides an unfair incentive for dirty energy sources. Unfortunately, residents of Michigan suffer from the air pollution that still occurs from these facilities. Our asthma rate is 25% above the national average. We have the sixth highest percentage of residents with cardiovascular disease. We are 17th in the incidence of lung cancer. It is time to step up and protect Michigan families.

This program has outlived whatever purpose it originally served. We recommend opposition to the bill, and take one of the following courses of action:

- Repeal the entire program or phase-it out over a three year period.
- Amend the legislation to exclude any pollution control equipment used in the production of energy (proposed language attached).
- Amend the legislation to give similar tax treatment to renewable energy resources.

Sincerely,

A handwritten signature in black ink, appearing to be 'James Clift', with a stylized, cursive script.

James Clift, Policy Director

Representative _____ offered the following amendment to HB 5401 (H-1):

1. Amend page 1, line 1, by inserting:

“Sec. 3701.

As used in this part:

(a) “Facility” means any disposal system, including disposal wells, or any treatment works, appliance, equipment, machinery, or installation constructed, used, or placed in operation primarily for the purpose of reducing, controlling, or eliminating water pollution caused by industrial waste. FACILITY DOES NOT INCLUDE PERSONAL PROPERTY USED AS PART OF A PROCESS TO GENERATE ELECTRICITY FOR SALE.

(b) “Industrial waste” means any liquid, gaseous, or solid waste substance resulting from any process of industry, manufacture, trade, or business, or from the development, processing, or recovery of any paper or wood, which is capable of polluting the waters of the state.

(c) “Treatment works” means any plant, pumping station, incinerator, or other works or reservoir used primarily for the purpose of treating, stabilizing, isolating, or holding industrial waste.

(d) “Disposal system” means a system used primarily for disposing of or isolating industrial waste and includes pipelines or conduits, pumping stations and force mains, and all other constructions, devices, appurtenances, and facilities used for collecting or conducting water-borne industrial waste to a point of disposal, treatment, or isolation, except that which is necessary to the manufacture of products.”

2. Amend page 2, after line 24, by inserting:

“Sec. 5901.

As used in this part, “facility” means machinery, equipment, structures, or any part or accessories of machinery, equipment, or structures, installed or acquired for the primary purpose of controlling or disposing of air pollution that if released would render the air harmful or inimical to the public health or to property within this state. Facility includes an incinerator equipped with a pollution abatement device in effective operation. Facility does not include an air conditioner, dust collector, fan, or other similar facility for the benefit of personnel or of a business. FACILITY DOES NOT INCLUDE PERSONAL PROPERTY USED AS PART OF A PROCESS TO GENERATE ELECTRICITY FOR SALE. Facility also means the following, if the installation was completed on or after July 23, 1965:

(a) Conversion or modification of a fuel burning system to effect air pollution control. The fuel burner portion only of the system is eligible for tax exemption.

(b) Installation of a new fuel burning system to effect air pollution control. The fuel burner portion only of the system is eligible for tax exemption.

(c) A process change involving production equipment made to satisfy the requirements of part 55 and rules promulgated under that part. The maximum cost allowed shall be 25% of the cost of the new process unit but shall not exceed the cost of the conventional control equipment applied on the basis of the new process production rate on the preexisting process.”